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IN THE

Supreme Court of the United States

OCTOBER TERM, 1942

No. 966

GENERAL MOTORS CORPORATION,

Petitioner,

v.s.

LOUIS LARSON AND EDWARD JOHNSTONE,

Respondents.

**PETITION FOR WRIT OF CERTIORARI TO THE
UNITED STATES CIRCUIT COURT OF APPEALS
FOR THE SECOND CIRCUIT AND BRIEF IN
SUPPORT THEREOF**

DRURY W. COOPER,

Counsel for Petitioner.

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GENERAL MOTORS CORPORATION,

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vs.

LOUIS LARSON and EDWARD JOHNSTONE,

Respondents.

PETITION FOR WRIT OF CERTIORARI

*To the Honorable the Chief Justice and the Associate
Justices of the Supreme Court of the United States:*

Your Petitioner, General Motors Corporation, prays that a writ of certiorari issue, directed to the United States Circuit Court of Appeals for the Second Circuit, to review those parts of the decree of that Court, entered on the 24th day of March, 1943 (R. 139), which modified the judgment of the District Court, entered August 12, 1941 (R. 81), by striking out the declaration as to the invalidity of the patent sought by the declaratory judgment counterclaim; and reversing the decree of December 30, 1941 (R. 109) dismissing the second cause of action.

A certified transcript of the record in the action, including the proceedings in the Circuit Court of Appeals, is furnished herewith, in compliance with Rule 38 of this Court.

Summary Statement of Matter Involved

This is an action brought by respondents against petitioner. The complaint (R. 2) states two causes of action, the first for infringement of patent No. 1,983,983 for Automobile Body (R. 115); the second is based in quasi-contract for unjust enrichment, alleging that respondents notified petitioner of their novel idea and that thereafter petitioner used that idea on its automobiles without paying respondents for that use. The idea is set forth in paragraph *Fourth* of the first cause of action for patent infringement (R. 2), in paragraph *Fifteenth* of the second cause of action for unjust enrichment (R. 4), and in lines 1 to 9 of the patent (R. 115), all in substantially the same language:

“* * * the plaintiffs herein conceived an idea for the manufacture of a new and useful improvement and device for use in connection with the manufacture of automobile bodies which said idea had for its primary purpose the utilization of the space immediately behind the operator's seat and within the body proper for the carrying and seating of passengers and for the supporting of parcels or other articles, and this without the necessity of lengthening the body or changing the external appearance thereof” (Par. Fifteenth, second cause of action—R. 4).

Petitioner made answer (R. 6) denying both validity and infringement, and interposed a counterclaim (R. 11) under the Declaratory Judgment Act, Section 274d of the Judicial Code (28 U. S. C. A. § 400)*, alleging the existence of an actual controversy between the parties and praying that respondents' patent be declared both invalid and not infringed, and for an injunction restraining respondents from harassing petitioner by reason of their ownership of the patent.

The first cause of action on the patent and the declaratory judgment counterclaim came on for trial (R. 75),

* See Appendix.

but before any testimony was taken, respondents admitted in open court that they did not claim any infringement on the part of the petitioner of the patent; they withdrew the first cause of action charging such infringement; they further amended their reply to petitioner's counterclaim and admitted therein that petitioner did not infringe (R. 75).

Respondents moved that the counterclaim should be dismissed because the entry of a judgment dismissing the first cause of action ended any existing controversy over the patent and deprived the court of jurisdiction over the counterclaim (R. 129). The District Court, however, tried out the sole issue of validity in the counterclaim, made findings of fact and conclusions of law (R. 74-80), and held the patent invalid (R. 80). In doing so the District Court based its judgment, in part, on petitioner's prior use and made the following findings, among others, with respect thereto:

"23) That all of the said acts of defendant recited in finding No. 22 herein were prior to April 3, 1934, the application date of plaintiff's patent, as well as prior to February 8, 1934, the earliest date that the plaintiffs sent defendant a description of their purported invention (Exhibit 2*).

* * * * *

"26) That all of defendant's coupes and roadsters which had opera or auxiliary seats in them, from late 1933 until the time of the filing of the complaint in this suit in May 1939, were like the photographs (Exhibits 11-16**) which were taken of an existing body on October 27, 1933, and differed only in details such as dimensions and hinging the seat to the back instead of the sides of the automobile" (R. 79).

Upon these findings of fact petitioner moved for summary judgment (R. 83) with respect to respondents' second cause of action on the ground that said findings consti-

* R. 24A *et seq.*

** R. 120-125.

tuted estoppel by judgment; this motion was granted and judgment was entered (R. 109). Respondents appealed from both judgments (R. 82 and 110).

The record in the Court of Appeals contained very little of the evidence adduced at the trial. The reason for this was that the respondents, appellants in the Court of Appeals, in their statement of points contained in their designation of contents of record on appeal under Rule 75 (d)* of the Federal Rules of Civil Procedure, limited themselves to two questions, namely, whether they had been deprived of their right of trial by jury and whether the District Court improperly and erroneously proceeded to adjudicate the validity of patent No. 1,983,983 under the counterclaim (R. 110-111 and 129). In other words, appellants made no attack on the correctness of the findings of fact. Both the District Court (R. 108) and the Court of Appeals (R. 133) found the findings of fact conclusive as to the second cause of action.

The Court of Appeals (R. 139) modified the judgment of August 12, 1941 (R. 81) dismissing the first cause of action and granting the relief under the counterclaim, by striking out the declaration as to the validity of the patent (sought for in the counterclaim), ruling that the issues of the counterclaim should not have been tried in view of the plaintiff's concession of non-infringement (R. 139). That court also reversed the judgment of December 30, 1941 (R. 109) dismissing the second cause of action (for unjust enrichment) and sent that part of the case back to the District Court for trial (R. 133 and 139) since, having ruled the counterclaim should not have been tried, there were no findings of fact to support the grant of petitioner's motion for summary judgment with respect to the second cause of action.

The basis of the decision of the Court of Appeals is that, when respondents admitted there was no infringement and offered to allow judgment against themselves on that ground as to the first cause of action then, even though it might be argued that there was a controversy to support

* See Appendix.

technical jurisdiction, yet the court below should have used its discretion and refused to pass upon the question of validity raised by the declaratory judgment counterclaim. This, because, since the question of validity in the counterclaim should not have been tried, there was no basis for the findings of fact which formed the basis, and controlled the granting, of petitioner's motion for summary judgment as to the second cause of action stated in the complaint.

Thereafter petitioner filed a petition for rehearing (R. 133) which was denied (R. 138).

It is petitioner's contention that the fact that respondents admitted non-infringement, did not destroy the controversial issue of validity of the patent which is justiciable under the counterclaim for declaratory judgment. The more does this apply since it is a well-known fact that automobile manufacturers change their models each year; the judgment for non-infringement would not be a bar to an action against a new and different construction.

While not made a part of the appeal record by the respondents, it is shown by the testimony in the District Court that beginning with the 1940 models of defendant's coupes (the complaint was filed in May, 1939 and the action tried in June, 1940, R. 1), a rear seat was placed which extended the entire width of the automobile as is shown in Figs 1 and 2 of the patent (R. 117 and 118) and concerning which the specification says, at page 1, lines 46-48 (R. 115):

"The present invention comprises a seat 4 mounted in the body 1 immediately to the rear of the operator's seat 2 * * *."

Having the rear seat extend the entire width of the car is a material change in construction from that charged to infringe, as exemplified by the photographs, Exhibits 11-16 (R. 120-125), where there were two individual or opera seats placed behind the operator's seat. This change brings petitioner closer to the patent and presents a new question of infringement which is not covered by the judgment of the Court of Appeals and is an added reason why the validity of the patent should be adjudicated under the counterclaim.

An adjudication of invalidity of this obviously invalid patent will not only relieve petitioner of the controversy over it, but will also relieve the public of the continuing threat of having an invalid patent hanging over its head.

Jurisdiction

1. The jurisdiction of this Court is invoked under Section 240(a) of the Judicial Code as amended by the Act of February 13, 1925 (28 U. S. C. A. § 347)*.

2. The date of the decree which petitioner seeks to have reviewed is March 24, 1943 (R. 139).

3. The petition for rehearing was denied March 23, 1943 (R. 138).

Questions Presented

1. Whether when a plaintiff, in an action for patent infringement wherein the defendant files a counterclaim under the provisions of the Declaratory Judgment Act, Section 274d of the Judicial Code (28 U. S. C. A. § 400), seeking to have the plaintiff's patent declared both not infringed and invalid and there is an actual controversy between the parties, and thereafter the plaintiff admits there is no infringement, there is a justiciable issue left in the counterclaim as to the validity of the patent?

2. Whether when a plaintiff has charged infringement of his patent, and thereafter sues upon allegations of validity and infringement (complaint, Paragraphs Seventh and Ninth—R. 3), and thereafter defendant by counterclaim for declaratory judgment raises the issues of validity and infringement of that patent, can the defendant's right to an adjudication of invalidity be nullified by plaintiff's concession of non-infringement?

* See Appendix.

3. Whether when a plaintiff has charged infringement of his patent, and thereafter sues upon allegations of validity and infringement, which are denied in the answer, and thereafter defendant by counterclaim for declaratory judgment alleges that that patent is not infringed and invalid, which are denied in the reply, is it an abuse of discretion for the District Court to try the issue of validity under the counterclaim, when, at the opening of the trial and before testimony was taken, plaintiff admits there is no infringement of that patent by defendant and offers to take a judgment only of non-infringement?

Reasons for Granting the Writ

The discretionary power of this Court to grant a writ of certiorari is invoked for the following reasons:

1. That an important question of federal law which has not been, but should be, settled by this Court is presented: The case at bar is somewhat analogous to *A. W. Altwater and The Western Supplies Company, Petitioners v. Benjamin W. Freeman and The Louis G. Freeman Co., Respondents*, No. 696, October Term 1942, wherein petition for writ of certiorari was filed on February 2, 1943, granted on March 8, 1943, argued on April 19, 1943, and is now awaiting decision, wherein the Circuit Court of Appeals for the Eighth Circuit, 130 F. 2d 763, struck out those parts of the judgment below which held the patents invalid, which issue was raised by defendants' declaratory judgment counterclaim; the reason assigned was:

"By their counterclaim defendants sought a declaratory judgment, but, as already observed, when the court found no infringement, there then remained no justiciable controversy" (p. 765).

2. That there is conflict not only between the circuits, but also within them, on this question of law which should be settled by this Court: The case at bar, which comes up

from the Second Circuit, is contrary to a published ruling of that Court, namely, *Knaust Brothers, Inc. v. Goldschlag et al.*,* 119 F. 2d 1022, wherein that court adopted the opinion below as its own in a *per curiam* opinion, the complete text of which is:

"Judgment affirmed on opinion below, D. C., 28 F. Supp. 188."

The facts of the *Knaust* case are indistinguishable from those of the one at bar. In the former, the plaintiff charged infringement of patents Nos. 2,034,678 and 2,097,766 and the defendants interposed a counterclaim for declaratory judgment seeking to have those patents declared both not infringed and invalid. The plaintiff conceded non-infringement of one patent, leaving only the question of invalidity. The District Court found both patents invalid and said, at page 190 (opinion reported 28 F. Supp. 188):

"On April 6, 1939, the plaintiff, in a bill of particulars stated that it would not rely on Patent No. 2,097,766 but would rely only on claims 1, 2, 3, 4, 7 and 8 of Patent No. 2,034,678 and omitted claims Nos. 5 and 6. This was approximately three weeks prior to the commencement of the trial of this suit.

"At the argument, after the trial thereof, on June 2, 1939, the plaintiff's counsel stated in open Court that he would consent to a decree under the counter-claim holding that there had not been any infringement of Patent No. 2,097,766. But this, of course, does not cover the ambit of the relief desired by the defendants.

* * * * *

"I do not think that in the case of a patent, which is a claim of monopoly hanging over a trade, the plaintiff can suddenly, at the last moment, withdraw his claim of infringement and then claim, as the plaintiff's counsel now seeks to do, that the question of the validity has become moot. Lewis Invisible Stitch Machine Co.

* Borchard, in his *Declaratory Judgments*, 2d Ed., 1941, in a footnote on page 814 raises the query whether the *Knaust* case conflicts with *Electrical Fittings Corp. v. Thomas & Betts Co.*, 307 U. S. 241.

v. Columbia Blindstitch Machine Mfg. Corp., D. C., 22 F. Supp. 705, 708, 709, and cf. *Basevi v. Edward O'Toole Co.*, D. C., 26 F. Supp. 41, 44, applying the same principle to copyrights.

"I think the plaintiff itself created a controversy by asserting the validity of the four claims of that patent and an infringement thereof. *Meiniecke v. Eagle Druggist Supply Co., Inc.*, D. C., 19 F. Supp. 523, 525. Inasmuch as a controversy was thus created by itself, the plaintiff cannot now, having once blown hot, be allowed to blow cold and claim that there was not any controversy." * (Emphasis supplied.)

The instant case also conflicts with another decided by the Second Circuit Court of Appeals, namely, *Yardley v. Houghton Mifflin Co., Inc.*, 108 2d 28, petition for writ of certiorari denied 309 U. S. 686, where that court affirmed the judgment of the District Court granting the prayer of the counterclaim brought under the Declaratory Judgment Act, Section 274d of the Judicial Code (28 U. S. C. A., §400), to have the renewal copyright declared invalid. The plaintiff brought the action on both the original copyright and the renewal thereof. Subsequently the plaintiff amended the complaint and stood only on the original copyright. Defendant thereupon counterclaimed praying that the renewal copyright be declared invalid. The court said at page 32:

"By its counterclaim the appellee sought a declaration that the renewal copyright registration obtained by the plaintiff in 1932 was void because not effected pursuant to the statute, 17 U. S. C. A. § 24. It is now conceded that only Turner's executor could legally obtain a renewal. *Fox Film Corp. v. Knowles*, 261 U. S. 326, 43 S. Ct. 365, 67 L. Ed. 680. While the original bill had asserted a claim based upon the renewal, the amended bill did not, and the evidence disclosed that the defendant had ceased publication of its reproduction of the painting in 1936, when notified of the claim

* The court of appeals, in the case at bar, denied a petition for rehearing based on the *Knaust* case, on the ground that the plaintiff-appellant in the *Knaust* case stated in its brief that it did not press its appeal on patent No. 2,097,766 (R. 137). Nevertheless, in the decision as reported, the affirmance was on the opinion below.

of infringement. Hence, the appellant argues that there was no controversy between the parties requiring a declaration of rights as to the renewal copyright. We cannot agree. *The counterclaim asserted the invalidity of the renewal and the plaintiff's reply thereto denies the allegations of invalidity. She conceded invalidity at the trial but she had previously asserted rights under the renewal and she might do so again in a subsequent suit, if its invalidity were not adjudged. There was no error in awarding judgment on the counterclaim.*" (Emphasis supplied.)

The confusion which exists in the Second Circuit on the question of "controversy" under the Constitution is clearly shown in the separate concurring opinion of Judge Clark upon the denial of a petition for rehearing after he had dissented from the majority upon the first decision, in the case of *Cover v. Schwartz*, 133 F. 2d 541, decided December 17, 1942 and rehearing denied January 8, 1943. In that case, it is true, there was no counterclaim for declaratory judgment seeking to have the plaintiff's patent declared invalid, but the District Court had found the patent invalid and not infringed. On appeal, the plaintiff's counsel waived his appeal as to infringement, and the court dismissed the appeal as to that patent on the ground that there was no constitutional jurisdiction because there was no "controversy" left in the case on validity. Judge Clark said, at page 551:

"Recent decisions of this court suggest that a matter which should lie easily in the court's discretion, see 11 Geo. Wash. L. Rev. 121, is now in a rather hopeless procedural mess. Compare *Richard Irvin & Co. v. Westinghouse Air Brake Co.*, 2 Cir., 121 F. 2d 429 (decision below reversed in part, since invalidity is moot upon a finding of non-infringement); *Hazeltine Corp. v. Emerson Television-Radio, Inc.*, 2 Cir., 129 F. 2d 580 (decision below affirmed on one, or possibly two, of the several grounds upon which it was entered); *Aero Spark Plug Co. v. B. G. Corp.*, 2 Cir., 130 F. 2d 290 (decision below affirmed for non-infringement only, against the objections of Judge Frank); *K. Kaufmann & Co. v. Leitman*, 2 Cir., 131 F. 2d 308 (decision below,

of non-infringement alone, affirmed for invalidity alone, it being then unnecessary to decide as to infringement); the present case (the reviewing court lacks jurisdiction which the trial court has); and *Franklin v. Masonite Corp.*, 2 Cir., Dec. 31, 1942, 132 F. 2d 800 (decision below of invalidity and infringement affirmed for non-infringement)."

3. The ruling in the present action is contrary to that in *Alfred Hofmann, Inc. v. Knitting Machines Corporation et al.*, 123 F. 2d 458, decided by the Third Circuit Court of Appeals. In that case, the plaintiff sued to have certain patents declared invalid and the court below

" * * * granted the motion to dismiss as to the two last issued Miller patents (October 8, 1940) because the complaint does not allege importation or sale of any machines or parts after the issuance of these patents and does not allege ' * * * that Knitting Machines Corporation represented that plaintiff had ever infringed any of the claims of either of these two Miller patents' " (p. 459).

In view of this lack of allegation and in view of an affidavit that "no actual infringement has ever been committed by the plaintiff since the issuance of these two Miller patents on October 8, 1940", the District Court ruled that there was no "justiciable controversy" concerning them (p. 460). The Third Circuit Court of Appeals reversed this ruling saying, at pages 460 and 461:

"We disagree with the conclusion expressed by the court below as to the existence of a controversy between Alfred Hofmann, Inc., and Knitting Machines Corporation in regard to the two Miller patents granted October 8, 1940. Subsection (1) of Section 274d provides that in cases 'of actual controversy' the courts of the United States have power to declare the rights and legal relations of the party petitioning for the declaration. The Supreme Court, in *Aetna Life Insurance Company v. Haworth*, 300 U. S. 227, 240, 241, 57 S. Ct. 461, 464, 81 L. Ed. 617, 108 A. L. R. 1000, held that an actual controversy is a justiciable controversy: viz., 'one that is appropriate for judicial determination.' While it is true that Knitting Machines Corporation cannot main-

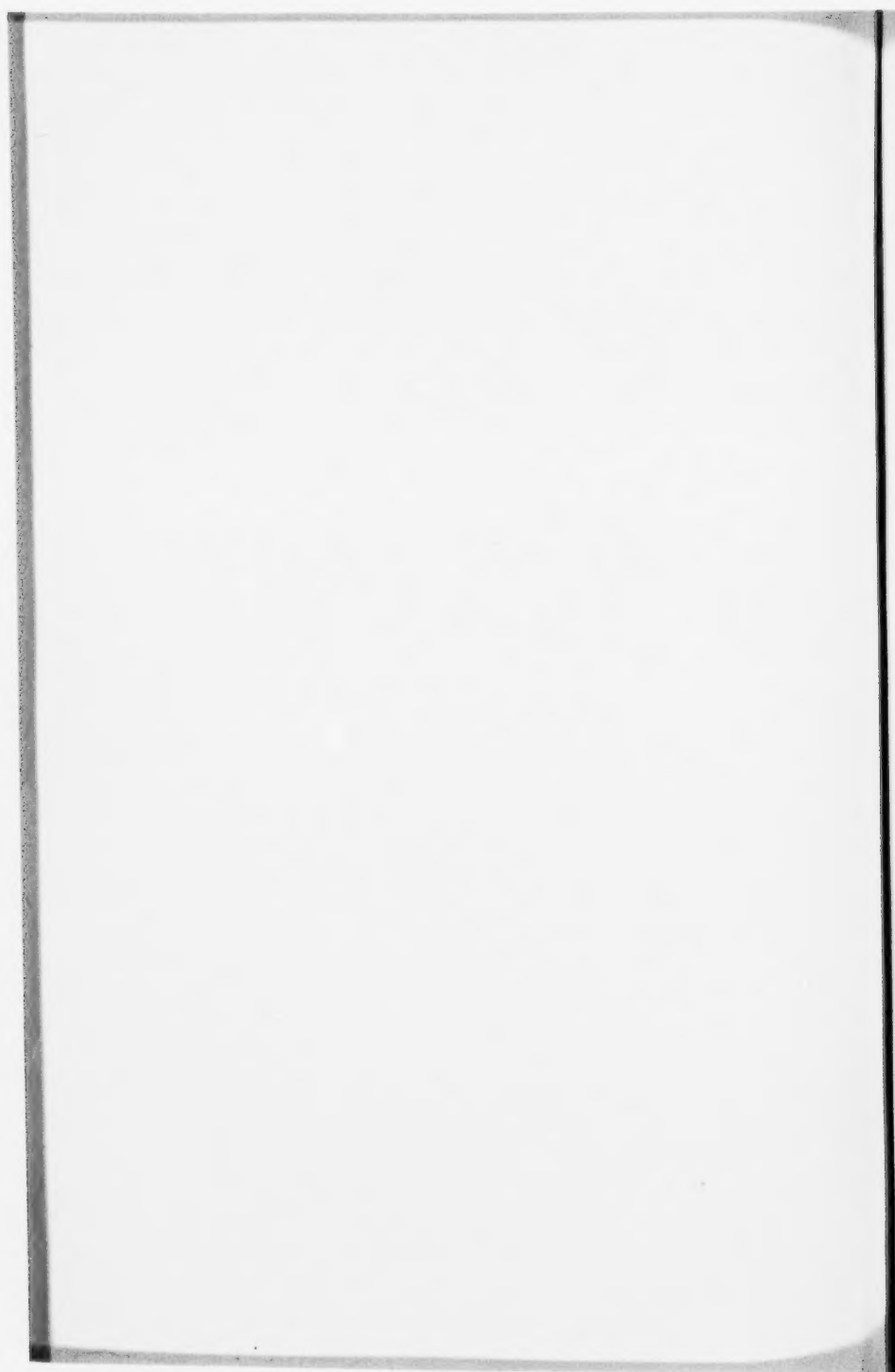
tain a suit for infringement of the last two Miller patents against Alfred Hofmann, Inc., because the plaintiff had not sold a Schubert and Salzer knitting machine after the issuance of the patents, none the less, Knitting Machines Corporation can maintain a suit for infringement of these patents against any purchaser of Schubert and Salzer machines (such as Propper-McCallum Hosiery Company) who uses the machines after the issuance of the patents. To say that there is no justiciable controversy between the manufacturer and the patentee who sues the customer of the manufacturer is to put too narrow an interpretation upon the Declaratory Judgment Act. The definition of justiciable controversy supplied by the Supreme Court in the Aetna case was broad, not narrow. The controversy at bar is real and substantial and admits ' * * of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts'."

WHEREFORE, your petitioner prays that a writ of certiorari issue to the United States Circuit Court of Appeals for the Second Circuit, commanding said Court to certify and send to this Court, on a day to be designated, a full and complete transcript of the record of all of the proceedings of that Court of Appeals had in this cause, to the end that this cause may be reviewed and determined by this Court: that the judgment of said Court of Appeals be reversed as to those parts which modified the judgment of August 12, 1941, by striking out the declaration as to the validity of the patent which was raised by the counterclaim, and which reversed the judgment of December 30, 1941 dismissing the second cause of action.

GENERAL MOTORS CORPORATION,
Petitioner,

By DRURY W. COOPER,
Attorney for Petitioner.

Dated: New York, N. Y.,
April 26, 1943.



BRIEF IN SUPPORT OF PETITION

Opinions Below

The opinion of the United States District Court for the Southern District of New York (Conger, D. J.) which disposed of the first cause of action and the counterclaim and upon which the judgment of August 12, 1941, is based, is reported in 40 F. Supp. 570 (R. 66). The opinion of the same court (Leibell, D. J.) which granted the motion for summary judgment and disposed of the second cause of action, upon which the judgment of December 30, 1941, is based, is not reported in the Federal Supplement, but is reported at 2 F. R. D. 294 and 52 USPQ 450 (R. 100). The opinions of the Court of Appeals modifying the judgment of August 12, 1941, reversing the judgment of December 30, 1941 (R. 128), and denying the petition for rehearing (R. 137) are reported only at 57 USPQ 1. All four opinions are found in the record, at pages 66, 100, 128 and 137, respectively.

Jurisdiction

Note petition (*supra*, p. 6).

Statement of the Case

The essential facts and issues of the case are stated in the foregoing Petition for Writ of Certiorari, but we shall restate them in more condensed form.

A case is here presented wherein respondents had notified petitioner of infringement of patent No. 1,983,983 (R. 75), then sued petitioner for infringement of that patent (R. 2); thereafter the petitioner filed answer (R. 6) and counterclaim (R. 11), the former raising the issues of both non-infringement and invalidity, and the latter alleging

a controversy between the parties and that the patent was both not infringed and invalid, and praying for an injunction restraining respondents from asserting their patent against petitioner (R. 14). The District Court found that at this stage a controversy existed between the parties sufficient to support the counterclaim (R. 75-76). The Court of Appeals left this finding untouched, as it did all the findings, since the respondents did not raise any question as to the correctness thereof and there was no evidence brought up in the record on appeal (R. 129 and 133). However, at the opening of the trial and before any evidence had been taken the respondents consented that judgment upon the merits should be rendered against them on the first cause of action, but only upon the ground that the petitioner had not infringed the patent (R. 75). They then moved that the counterclaim should be dismissed because the entry of judgment dismissing the first cause of action ended any existing controversy over the patent, and deprived the court of jurisdiction over the counterclaim (R. 129). The District Court overruled this motion, tried the sole issue of validity under the counterclaim, and held the patent invalid (R. 81). It is this holding of invalidity which the Court of Appeals struck from the judgment on the counterclaim, thereby laying the basis for the foregoing petition and for the ~~two~~ questions presented therein (*supra*, pp. 6-7).

Specification of Error

Petitioner will urge, if the writ of certiorari is issued, that the Circuit Court of Appeals for the Second Circuit erred:

1. By holding that the issue of invalidity of patent No. 1,983,983 raised by the declaratory judgment counterclaim was moot and not justiciable.

2. By holding that when the respondents conceded non-infringement after an actual controversy had arisen between the parties, the issue of validity of patent No. 1,983,983 raised by the declaratory judgment counterclaim became moot and not justiciable.

3. By holding that the District Court abused its discretion in taking up the issue of validity of patent No. 1,983,983 raised by the declaratory judgment counterclaim and declaring said patent to be invalid.

4. By not holding that when respondents conceded non-infringement after an actual controversy had arisen between the parties, the court had constitutional jurisdiction of the issue of validity of patent No. 1,983,983 raised by the declaratory judgment counterclaim.

5. By modifying the judgment of the District Court of August 12, 1941, which dismissed the first cause of action and sustained the counterclaim on the ground of invalidity, by striking out the declaration as to the validity of patent No. 1,983,983.

6. By reversing the judgment of the District Court of December 30, 1941, which dismissed the second cause of action.

Summary of Argument

POINT 1. The questions presented have never been before this Court. However, there is a somewhat analogous case, *i. e.*, *A. W. Altrater and The Western Supplies Company v. Benjamin W. Freeman and The Louis G. Freeman Co.*, No. 696, October Term 1942 (petition filed Feb. 2, 1943, granted Mar. 8, 1943, argued Apr. 19, 1943, now awaiting decision). Since petitioner has changed its construction since the commencement of the trial (not of record), the court below erred in holding that petitioner's interest in declaration of invalidity is speculative. Aside from that,

however, a clearly invalid patent should not be allowed to hang as a threat over the public. *Aero Spark Plug Co. Inc. v. B. G. Corporation* (C. C. A. 2), 130 F. 2d 290, 294; *Borchard, Declaratory Judgments*, 2d Ed. 804. Furthermore, when petitioner filed its declaratory judgment counterclaim seeking to have a declaration of both infringement and validity of respondent's patent, the fact that the latter conceded non-infringement does not take the justiciability of the issue of validity from the court; *Borchard, Declaratory Judgments*, 2d Ed. 814, 815. There is a distinction between the case at bar, where there is a declaratory judgment counterclaim and that line of cases where the issues of infringement and validity were raised only by the complaint and answer, as exemplified by *Cover v. Schwartz* (C. C. A. 2), 133 F. 2d 541 and *Electrical Fittings Corp. v. Thomas & Betts Co.*, 307 U. S. 241. The Court of Appeals below, recognized this distinction (R. 131).

POINT 2. The decision herein of the Court of Appeals conflicts with a former reported ruling of that court in *Knaust Brothers, Inc. v. Goldschlag et al.* (C. C. A. 2), 119 F. 2d 1022, affirming on the opinion of the District Court reported at 28 F. Supp. 188. The instant case also conflicts with *Yardley v. Houghton Mifflin Co., Inc.* (C. C. A. 2), 108 F. 2d 28. Confusion exists in the Second Circuit Court of Appeals on the question of "controversy" under the Constitution. *Cover v. Schwartz* (C. C. A. 2), 133 F. 2d 541, 551.

POINT 3. The case at bar, decided by the Second Circuit Court of Appeals, conflicts with *Alfred Hofmann, Inc. v. Knitting Machines Corporation et al.*, 123 F. 2d 458, decided by the Third Circuit Court of Appeals.

POINT 4. Since the correctness of the findings of invalidity by the District Court was not attacked on appeal below, and there was no evidence included in the record to cast doubt on them, and Rule 1* of the Federal Rules of

* See Appendix.

Civil Procedure provides that the rules "shall be construed to secure the just, speedy, and inexpensive determination of every action", the case should not be sent back for retrial upon the same evidence.

Argument

The petition presents an important question of federal law which has not been, but should be, settled by this Court. Not only is this so, but certain of the circuits vary one with another and the Second Circuit is in a state of confusion, its own decisions being at variance.

Point 1

This Court has never had the questions here presented before it, insofar as petitioner can ascertain. However, a somewhat analogous case is now awaiting decision, *i. e.*, *A. W. Altrater and The Western Supplies Company v. Benjamin W. Freeman and The Louis G. Freeman Co.*, No. 696, October Term 1942, wherein petition for writ of certiorari was filed February 2, 1943, granted on March 8, 1943, and the argument heard on April 19, 1943. In that case, the Court of Appeals for the Eighth Circuit, 130 F. 2d 763, struck out those parts of the judgment below which held the patents invalid, which issue was raised by defendants' counterclaim for declaratory judgment; the reason assigned was:

"By their counterclaim defendants sought a declaratory judgment, but, as already observed, when the court found no infringement, there then remained no justiciable controversy" (p. 765).

Although the Court of Appeals, after the concession of non-infringement in the instant case, thought that petitioner had " * * * no interest in such a declaration [of invalidity] except the purely speculative one that in the future it might so change the design of its cars that the plaintiffs would

sue it again" (R. 132), yet the fact is, although not in the record here (but in that in the District Court), that petitioner has changed its construction since the commencement of the action, and so it and its dealers and customers are now open to another action on the same patent. But aside from the fact that petitioner has actually changed its construction, petitioner is entitled to have the issue of validity of the patent settled under its counterclaim, not only so that it will know its rights, but to prevent a clearly invalid patent hanging as a threat over the public*. Respondents commenced the action and necessarily had to rely on both infringement and validity to sustain their position. Petitioner realizing, even under the then newly established Federal Rules of Civil Procedure, that respondents could, if they desired, escape an adjudication of invalidity, filed with its answer the declaratory judgment counterclaim seeking to have the patent declared not only not infringed but also invalid. In this way the petitioner, after seeking full declaratory relief, would "not be confined compulsorily and exclusively to the narrow question whether his present product infringes, regardless of his desire and demand that the patent be held invalid". *Borchard, Declaratory Judgments*, 2d Ed., p. 815.

Borchard, in speaking of the exact question presented here, *i. e.*, where there is a complaint and declaratory judgment counterclaim, both raising the twin issues of infringement and validity of a patent, says, at page 814:

"Nor should the patentee be allowed to take a consent decree under the counterclaim that there had been no infringement or withdraw his claim at the last moment

* "An invalid patent masquerading as a valid one is a public menace." Frank, J. concurring, in *Aero Spark Plug Co. Inc. v. B. G. Corporation*, 130 F. 2d 290, 294 (C. C. A. 2d). Cf. Black, J. dissenting, in *Exhibit Supply Co. v. Ace Patents Corp.*, 315 U. S. 126, 137.

Borchard, in his *Declaratory Judgments*, 2d Ed. 1941, says, in speaking of the reform effected with respect to patents by the Declaratory Judgment Act, at page 804: "The sword of Damocles is no longer available to the patentee."

and then assert that the question of validity had become moot, for neither of these devices would give the defendant the relief he seeks, an adjudication on the validity of the patent."

At page 815, *Borchard* makes the following illuminating analysis and conclusion which are exactly in point:

"Judge Hincks [in *Seruggs v. Casco Corp.*, 32 F. Supp. 625] suggests that in infringement cases in which by the answer the issues of validity and infringement are raised, even if the court entertains a counterclaim seeking a declaration on both the issues already raised by answer, upon a finding of non-infringement the issue of validity becomes moot under the doctrine of *Electrical Fittings v. Thomas & Betts**, leaving no justiciable controversy upon which the court could properly found a declaratory decree upon the issue of validity raised by the counterclaim. In this view, the counterclaim is redundant because the defendant can obtain no adjudication upon the counterclaim of greater scope than the adjudication upon the complaint. *The cases which have sustained counterclaims seeking a declaration of invalidity have not made this distinction, and it seems to the author important that the alleged infringer have an opportunity to obtain the affirmative relief which a decree on validity affords. Having been forced into court by the patentee who necessarily relied on the validity of his patent, he ought to be permitted to obtain an adjudication on the fundamental issue of validity—important for his present and any other products which approximate the patented device—and not be confined compulsorily and exclusively to the narrow question whether his present product infringes, regardless of his desire and demand that the patent be held invalid.*" (Emphasis and matter in brackets supplied.)

There is a distinction between the case at bar and the quotations above, on the one hand, and that line of cases wherein this Court and lesser ones, on the other hand, have held the question of validity was moot once the court has

* 307 U. S. 241. *Borchard* here says: "The Supreme Court has not directly passed on the present issue."

found the existence of non-infringement. In the latter line of cases, as exemplified by *Cover v. Schwartz*, 133 F. 2d 541 (C. C. A. 2) and *Electrical Fittings Corp. v. Thomas & Betts Co.*, 307 U. S. 241, there was no counterclaim or other pleading wherein the alleged infringer sought a declaration that the patent was invalid. In the situation here, and the one *Borchard* is speaking about, the petitioner sought the additional protection of invalidity by means of a declaratory judgment counterclaim.

The Court of Appeals, in the instant case, recognized this distinction for it placed its decision on the ground that the District Court "in the exercise of its discretion should have refused to adjudicate so much of the counterclaim as called for a declaration as to the invalidity of the patent" (R. 131). That court, in explaining its own former case, *Cover v. Schwartz*, *supra*, said, in grounding its decision on lack of constitutional jurisdiction:

" * * * the controversy * * * arose over a patent, and * * * the judge had dismissed the complaint only for invalidity, though he had also said in his opinion that the defendant did not infringe. We agreed that the judge might have decided on both grounds but we dismissed the appeal upon the argument before us when the plaintiff conceded that the defendant did not infringe, because *we held that that ended our jurisdiction*" (R. 131—Emphasis supplied).

Petitioner, therefore, urges that the question presented herein is an important one of federal law which has not been, but should be, settled by this Court.

Point 2

This point has been fully dealt with in reason 2 of the Reasons for Granting the Writ on page 7 of the foregoing petition.

Point 3

This point likewise has been briefed in reason 3 of the Reasons for Granting the Writ on page 11 of the petition.

Point 4

To our mind the result in the Court of Appeals is in contravention of Rule 1 of the present Federal Rules of Civil Procedure, which provides that the rules "shall be construed to secure the just, speedy, and inexpensive determination of every action".*

Now the District Court, on the trial of the counterclaim, held the patent to be invalid, because of petitioner's prior use of the thing charged to be an infringement of it at a time anterior both to the patent and to the respondents' alleged "submission" to petitioner (Findings 23 and 26, *supra*, p. 3). The respondents conceded the correctness of the findings upon the evidence presented, since they did not raise any question as to their correctness in their appeal but only the question of the right of the District Court to try the issue. So, the evidence on which the findings were made was not in the record in the Court of Appeals. Hence, as is apparent, the proofs were sufficient to sustain the finding of invalidity of the patent and the finding that the petitioner had adopted the construction before the date of the submission. It seems to us, therefore, that it is directly contrary to the securing of the just, speedy and inexpensive determination, to send the case back for a retrial, upon the same evidence. It seems to us that these considerations outweigh the rather specious argument of the lower court that when respondents consented to the dismissal of the first cause of action "only the most shadowy controversy over the validity of the patent thereafter

* By Rule 13 (a) it was *compulsory* on the defendant to state as its counterclaim the matter of invalidity and non-infringement of the patent in suit, since it arose out of the transaction or occurrence that was the subject matter of the complaint. See Appendix.

remained" (R. 130). Indeed, the court *almost* admitted our position when it called attention (R. 131) to the provisions of Rule 57 (see Appendix) of the Federal Rules of Civil Procedure, that "the existence of another adequate remedy does not preclude a judgment for declaratory relief in cases where it is appropriate".

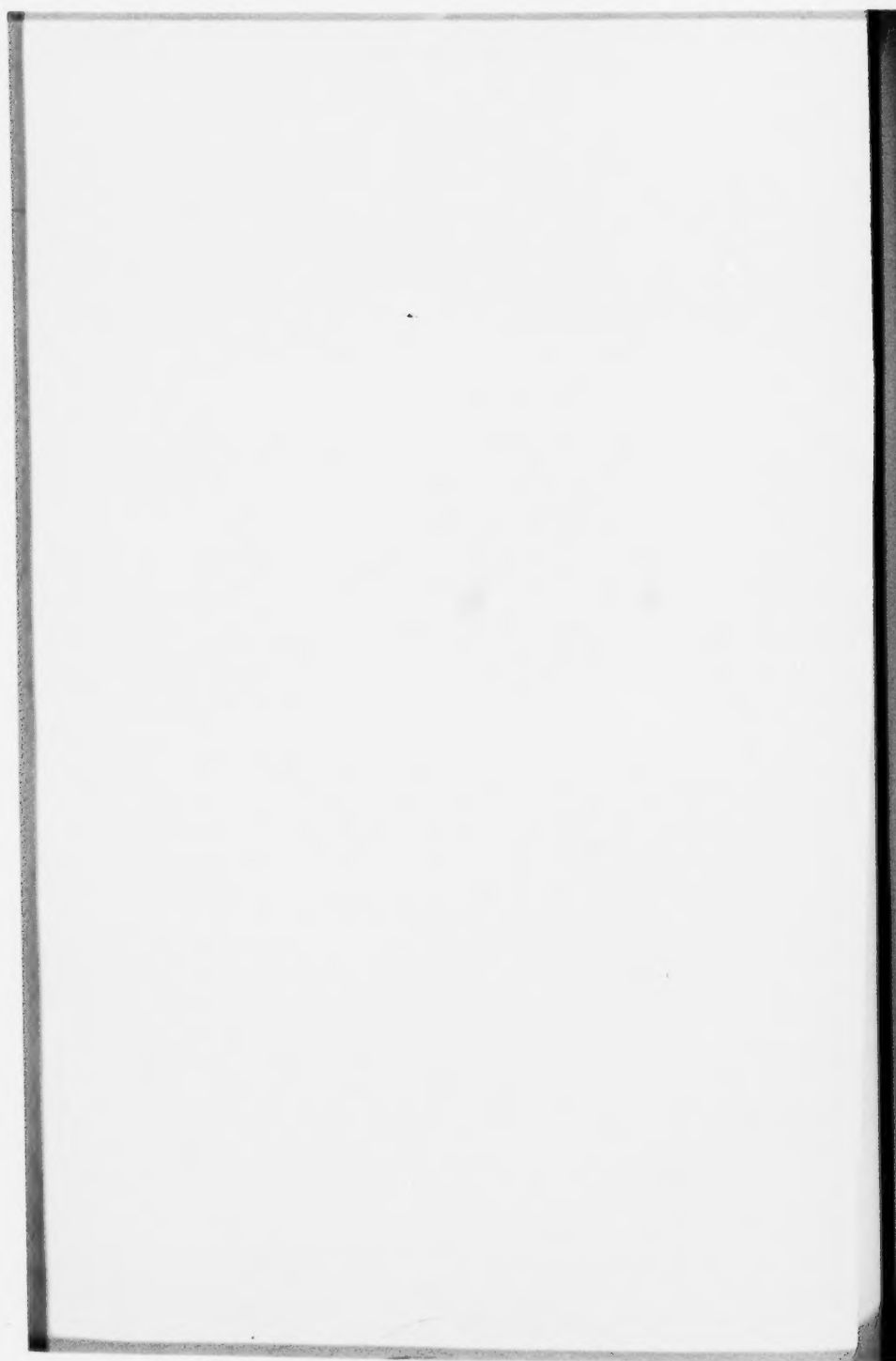
Conclusion

It is submitted that the petition for writ of certiorari should be granted in order that this Court may decide the important question as to the rights of a defendant to have an adjudication on the validity of the patent in suit, when that issue is also raised by a counterclaim for declaratory judgment and when plaintiff thereafter concedes that defendant has not infringed the patent. This Court has not decided that question; the Second Circuit Court of Appeals differs not only with itself but also with the Third Circuit; and this Court should clarify the confusion which exists.

Respectfully submitted,

DRURY W. COOPER,
Attorney for Petitioner.

Dated: New York, N. Y., April 26, 1943.



Appendix

Declaratory Judgment Act, Section 274d of the Judicial Code (28 U. S. C. A. § 400):

“(1) In cases of actual controversy (except with respect to Federal taxes) the courts of the United States shall have power upon petition, declaration, complaint, or other appropriate pleadings to declare rights and other legal relations of any interested party petitioning for such declaration, whether or not further relief is or could be prayed, and such declaration shall have the force and effect of a final judgment or decree and be reviewable as such.

“(2) Further relief based on a declaratory judgment or decree may be granted whenever necessary or proper. The application shall be by petition to a court having jurisdiction to grant the relief. If the application be deemed sufficient, the court shall, on reasonable notice, require any adverse party, whose rights have been adjudicated by the declaration, to show cause why further relief should not be granted forthwith.

“(3) When a declaration of right or the granting of further relief based thereon shall involve the determination of issues of fact triable by a jury, such issues may be submitted to a jury in the form of interrogatories, with proper instructions by the court, whether a general verdict be required or not.”

Section 240(a), Judicial Code, as amended by the Act of February 13, 1925 (28 U. S. C. A. § 347):

“(a) In any case, civil or criminal, in a circuit court of appeals, or in the Court of Appeals of the District of Columbia, it shall be competent for the Supreme Court of the United States, upon the petition of any party thereto, whether Government or other litigant, to require by certiorari, either before or after a judgment or decree by such lower court, that the cause be certified to the Supreme Court for determination by it with the same power and authority, and with like effect, as if the cause had been brought there by unrestricted writ of error or appeal.”

Federal Rules of Civil Procedure:

RULE 1

"These rules govern the procedure in the district courts of the United States in all suits of a civil nature whether cognizable as cases at law or in equity, with the exceptions stated in Rule 81. They shall be construed to secure the just, speedy, and inexpensive determination of every action."

RULE 13(a)

"A pleading shall state as a counterclaim any claim, not the subject of a pending action, which at the time of filing the pleading the pleader has against any opposing party, if it arises out of the transaction or occurrence that is the subject matter of the opposing party's claim and does not require for its adjudication the presence of third parties of whom the court cannot acquire jurisdiction."

RULE 57

"The procedure for obtaining a declaratory judgment pursuant to Section 274(d) of the Judicial Code, as amended, U. S. C., Title 28, § 400, shall be in accordance with these rules, and the right to trial by jury may be demanded under the circumstances and in the manner provided in Rules 38 and 39. The existence of another adequate remedy does not preclude a judgment for declaratory relief in cases where it is appropriate. The court may order a speedy hearing of an action for a declaratory judgment and may advance it on the calendar."

RULE 75(d)

"If the appellant does not designate for inclusion the complete record and all the proceedings and evidence in the action, he shall serve with his designation a concise statement of the points on which he intends to rely on the appeal."



②

MAY 20 1943

CHARLES ELMORE CROPLEY
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1942

No. 966

GENERAL MOTORS CORPORATION,

Petitioner,

—v.—

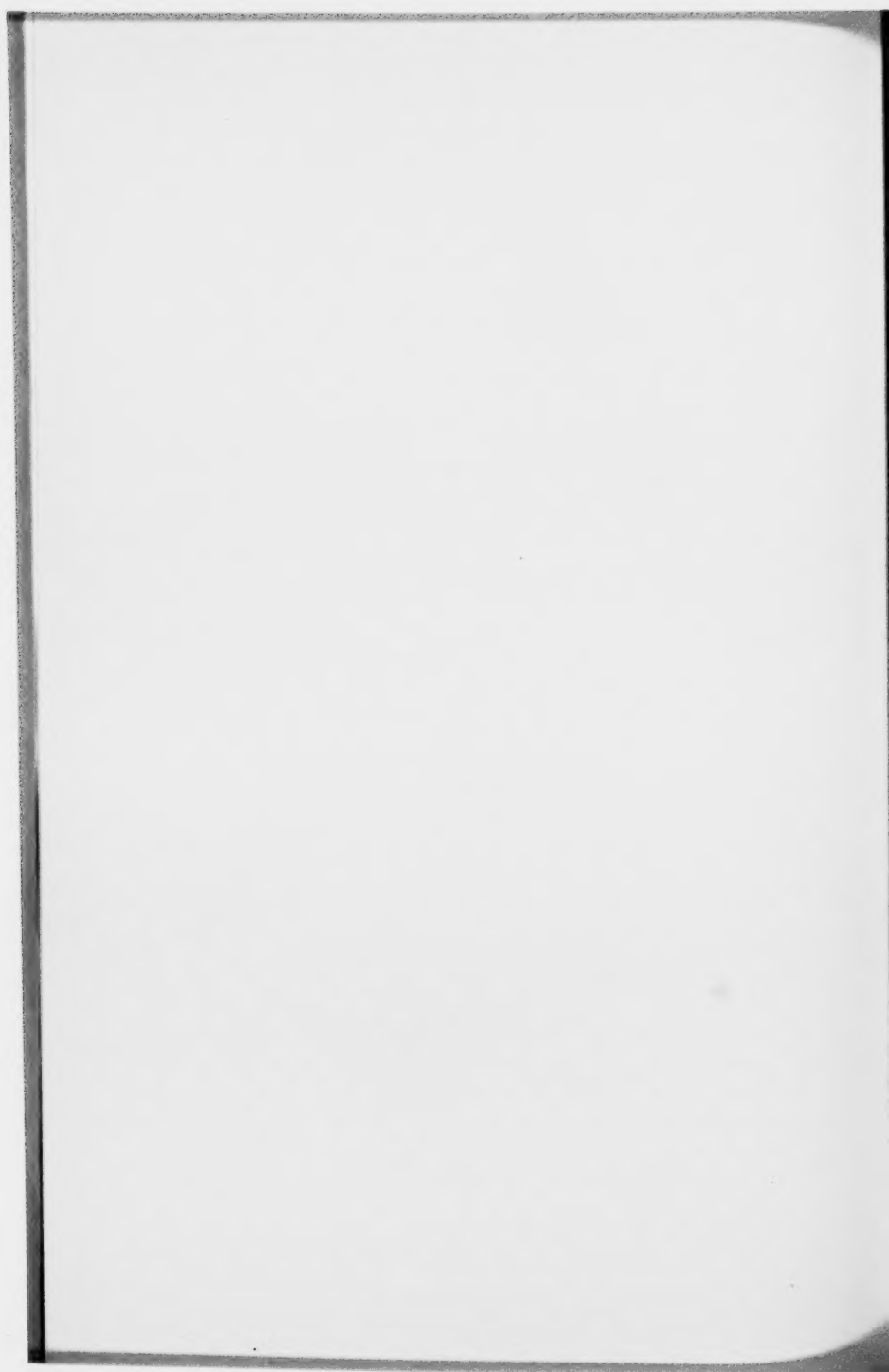
LOUIS LARSON and EDWARD JOHNSTONE,

Respondents.

**RESPONDENTS' BRIEF IN OPPOSITION TO PETITION
FOR A WRIT OF CERTIORARI TO THE UNITED
STATES CIRCUIT COURT OF APPEALS FOR
THE SECOND CIRCUIT**

MURRAY M. COWEN,

EDWARD VOGEL,
Counsel for Respondents.



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IN THE
Supreme Court of the United States

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GENERAL MOTORS CORPORATION,

Petitioner,

—v.—

LOUIS LARSON and EDWARD JOHNSTONE,

Respondents.

**RESPONDENTS' BRIEF IN OPPOSITION TO PETI-
TION FOR A WRIT OF CERTIORARI TO THE UNITED
STATES CIRCUIT COURT OF APPEALS FOR THE
SECOND CIRCUIT**

Respondents respectfully submit that upon the facts in this case, and the law applicable thereto, the petition for a writ of certiorari to the United States Circuit Court of Appeals, for the Second Circuit, should be denied.

Statement of the Case.

Petitioner was the defendant below. Certain inaccuracies and omissions in defendant's petition necessitate a summary statement of the case by respondents.

On May 5, 1939 respondents filed a complaint in the District Court for the Southern District of New York, stating two causes of action (R. 2-6). By their first cause of action respondents sought money damages in excess of

\$20.00 for defendant's alleged infringement of their patent #1,983,983 (R. 2-4). By their second cause of action respondents sought money damages in excess of \$20.00 for defendant's alleged appropriation of their novel idea (R. 4-5).

The patented device and the idea were not one and the same thing. Petitioner's statement (p. 2) that they were, is not accurate. The idea was only partially set forth in the patent (R. 39—bottom of page), and differed from the patented device in essential details, more fully set forth at pages 5-6 of this brief.

In their patent action respondents alleged that their aforesaid patent was valid, and had been infringed by defendant by the cars defendant had manufactured for the years 1935, 1936, 1937, 1938 and 1939 (R. 3, 30). No other charge of infringement, either past, present or future, was made by respondents.

Defendant's answer denied the material allegations of the complaint, set up affirmative defenses of non-infringement and invalidity of the patent in suit, and in a counterclaim for a declaratory judgment reasserted non-infringement and invalidity and asked to have the said patent adjudged invalid and not infringed (R. 15).

Respondents filed a reply denying the material allegations of defendant's counterclaim (R. 19).

On June 15, 1939 respondents served a general demand for a jury trial of the issues in the case (R. 20). Judge Knox ordered the calendar Commissioner to file said demand (R. 21) and to place the issues raised by respondents' complaint and defendant's answer on the jury calendar for trial before a jury, and to place the issues raised by defendant's counterclaim and reply yet to be served on the non jury calendar (R. 21). Each set of pleadings raised the same issues, to wit, whether the patent in suit was valid and had been infringed. Petitioner, in its statement of the case,

has omitted all reference to respondents' right to a jury trial of the aforesaid issues.

In June 1940, respondents' aforesaid first cause of action for patent infringement, and defendant's aforesaid counterclaim for a declaratory judgment came on for trial before Judge Conger (R. 81). At the opening of the trial, and before any testimony was taken, respondents withdrew all charges of infringement by defendant, and admitted in open Court that none of defendant's cars infringed their patent, as originally alleged, and offered to allow judgment to be entered in defendant's favor and against them dismissing their patent action on the merits (R. 67). The judgment that was finally entered dismissed respondents' first cause of action on patent #1,983,983 on the merits, adjudged that defendant had not infringed thereon, and enjoined respondents from ever claiming infringement or ever threatening to sue anyone, as an infringer, who should sell or use cars manufactured by defendant (R. 81-82). The record is absolutely barren of any suggestion that defendant contemplated any change in the design of its cars (R. 132). The relief thus afforded defendant, furnished it and its customers with a complete protection and guaranty against any further charges of infringement of patent #1,983,983. (*Norton v. San Jose Fruit Packing Co.* (C. C. A. 9) 83 Fed. Rep. 512; *General Chemical Co. v. Standard Wholesale P. & A. Works* (C. C. A. 4) 101 Fed. 2nd 178, 183.)

Respondents thereupon moved for a dismissal of defendant's counterclaim for a declaratory judgment, claiming that their admissions of non-infringement of patent #1,983,983, accompanied by the entry of judgment in defendant's favor on the merits on respondents' patent action together with the injunctive relief against harassment requested by defendant, ended the alleged controversy over the patent (R. 68). They contended (1) that the Court had no further jurisdiction over defendant's counterclaim because of the

absence of an actual controversy, and, (2) if that were not so, then, at least, it was improper for the Court to proceed with a non jury trial of defendant's counterclaim on the issue of validity, in view of defendant's lack of a real and substantial interest in the validity of respondents' patent, and in view of the pendency of respondents' second cause of action triable to a jury, involving issues the trial of which by a jury might be prevented by the Court's findings of invalidity in the non jury trial of defendant's counterclaim for a declaratory judgment. (Incidentally, what respondents feared, actually occurred.)

Defendant resisted respondents' motion for a dismissal of the counterclaim and insisted that it had the right to have the Court pass upon the validity of respondents' patent, despite respondents' admissions of non-infringement and the entry of judgment in its favor. The Court overruled respondents' request for a dismissal of the counterclaim and tried the issue of validity. Judge Conger found the patent to be invalid (R. 66-74), and made separate findings of fact on the issue of validity (R. 74-80), which findings were thereafter used by defendant as the basis for its motion for a summary judgment dismissing respondents' second cause of action (R. 83). Upon the basis of these findings, Judge Leibell held there were no issues to be tried, granted defendant's motion for summary judgment and dismissed respondents' second cause of action (R. 109). Judge Leibell's opinion on the motion for summary judgment appears in the record at pages 100-109.

Respondents' affidavits in opposition to defendant's motion for summary judgment (R. 83-100), and defendant's admissions (R. 40, 41) presented facts that showed the existence of triable issues insofar as the second cause of action is concerned. Nevertheless respondents' second cause of action was summarily disposed of without a jury trial, despite respondents' demand for one, and despite the exis-

tence of triable issues, and upon findings the validity of which are in serious doubt in view of defendant's admissions (R. 40, 41) and Judge Conger's own statements (R. 73-74).

Notices of appeal from the two judgments were filed (R. 82, 110). The notice of appeal from the judgment of Conger, *D. J.*, stated that so much of said judgment was appealed from as adjudged that respondents' patent #1,983,983, was invalid and void (R. 82). In their designation of points to be relied upon on the appeal, respondents stated that they would contend that they had been improperly deprived by the District Court of their constitutional right to a trial by jury of the issues in this case (R. 110) and that the District Court improperly and erroneously adjudicated the issue of the validity of their patent (R. 111).

We stated at page 2 of this brief that the patented device (first cause of action) differed in its essential details from the idea (second cause of action) and that petitioner's statement that they were the identical was not true. We shall now demonstrate the truth of our assertion.

The patent described a device to be mounted on the rear of the operator's seat in a car, which was to act either as a shelf or as a back rest for a seat. Defendant described respondents' patented device as follows (R. 16-17) :

"That on or about April 3, 1934, plaintiffs Louis Larson and Edward Johnstone filed their application for Serial #718,870 for patent in suit #1,983,983 that * * * said application finally eventuated into the grant of the patent in suit to said plaintiffs, containing three claims, which claims, * * * were limited to a member hingedly mounted on the operator's seat and adjusted to function selectively as a backrest for the seat or as a supporting shelf to the rear of the operator's seat
* * *"

The idea (second cause of action) contemplated a change in the construction of the interior of defendant's coupes, the addition of inner opera seats constructed in a novel way, and the elimination of the troublesome outside rumble seats. This idea in complete written detail was admittedly submitted to defendant on February 8, 1934 (R. 85-88). Defendant's first use of this novel seating arrangement was in 1935 (R. 40). The salient features of respondents' idea are itemized at pages 86 and 87 of the record.

A careful comparison of both the patent and the idea discloses that they were different.

(1) The patented device was for use in a six or seven passenger coupe *containing* a rumble seat (R. 28a, 117-119). The idea was limited to a novel construction of the interior of the coupe so as to provide for seats for four passengers, and the *elimination* of the outside troublesome rumble seat (R. 33-35).

(2) The inner seats in the patented device were to be mounted in the body rearwardly of the operator's seat (R. 115, 116). The idea contemplated inner seats to be constructed either solidly to the floor or to swing from the side walls of the car and were to fold back to the side when not in use (R. 33).

(3) The patented device made no change in the length measurement of the roof of the coupe. The idea contemplated the addition of a few inches to the length measurement of the roof of the coupe over the inner seats, leaving the length of the body the same (R. 32).

From the foregoing it is obvious that the idea was for one thing and the patented device was for something entirely different. At least they were not identical as contended by petitioner. While a recovery might have been denied on the patent, one could still have been had for the appropriation of the idea. (*Booth v. Stutz Motor Car Co.*, C. C. A. 7, 1932, 56 F. 2d 962.)

When Judge Conger overruled respondents' motion for a dismissal of defendant's counterclaim for a declaration of invalidity, he specifically announced that he would not consider the issues tendered by the second cause of action (the idea action) directly or indirectly (R. 67). Nevertheless findings of fact #22-27 (R. 78-79) were made and used by defendant to support its motion for a summary dismissal of respondents' second cause of action on the idea. Thus defendant caused findings of fact to be unnecessarily and presumably made for one purpose, but actually and consciously used for an entirely different purpose.

Obviously, the only reason that defendant insisted that the Court try the issue of validity, upon the pretense that a controversy existed, was to obtain findings of invalidity, before the jury trial of the second cause of action, and thereby avoid said jury trial (R. 133).

The Circuit Court struck out from the judgment of the District Court the declaration of invalidity, and in all other respects affirmed the judgment dismissing the first cause of action on the patent and granting relief under the counterclaim (R. 139). The judgment dismissing the second cause of action was reversed because no longer supported by findings of fact.

We respectfully submit that the judgment of the Circuit Court is correct and entirely in accord with the weight of judicial authority, and should not be reviewed on a writ of certiorari.

The Questions Presented.

It will be noted that the questions propounded by defendant (petition, pp. 6-7) disregard and omit the essential facts of this case, as stated above. The facts of this case distinguish it from the cases cited by petitioner.

The questions presented really are:

(1) Was it legally wrong for the District Court to pass upon the validity of respondents' patent, where the alleged controversy over the patent had come to an end and had ceased to have any practical importance to the parties, by reason of respondents' admission of non-infringement, accompanied by the entry of judgment dismissing the patent action on the merits in defendant's favor, and the grant of the injunctive relief against harassment that had been requested by defendant?

(2) Was it legally wrong for the District Court, sitting without a jury, to pass on the issue of validity, where said issue was triable as of right by a jury on respondents' demand?

(3) Was it an abuse of discretion for the District Court, sitting without a jury, to pass on the issue of validity, where defendant's interest in said issue was moot and academic, and where respondents were vitally interested that the Court should not pass on said issue of validity because in so doing it might find facts that would be fatal to them on the issues raised by their second cause of action for the appropriation of their novel idea, triable as of right to a jury?

The Opinions Below.

The District Court (Conger, *D. J.*), held, on the facts stated above, that the counterclaim for a declaratory judgment was properly before him for adjudication (R. 69) and that it was proper for him to try the issue of validity without a jury (R. 70). His opinion is reported in 40 Fed. Supp. 570.

The same Court (Leibell, *D. J.*), held that upon Judge Conger's findings of invalidity, he had to grant defendant's motion for summary judgment dismissing the second cause

of action, because no further issues remained for trial (R. 108). His opinion is reported in 2 F. R. D. 294, 52 U. S. P. Q. 450.

The Circuit Court held that upon the facts stated above it was wrong, as well as an abuse of discretion, for the Court to have entertained defendant's counterclaim for a declaratory judgment, and to have passed upon the issue of validity without a jury (R. 131, 133), and accordingly struck out the declaration as to invalidity but otherwise affirmed the judgment on the patent action, and the grant of injunctive relief against harassment, and reversed the judgment dismissing the second cause of action. The opinion of the Circuit Court on the appeal, and its opinion denying defendant's petition for a rehearing, are reported in 57 U. S. P. Q. 1.

THE ARGUMENT.

POINT I.

With respondents' admission of defendant's non-infringement of the patent in suit, accompanied by the entry of judgment on the merits in defendant's favor, dismissing respondents' patent action, and granting the injunctive relief against harassment as requested by defendant, and there being no contemplated change in the design of defendant's cars, the alleged actual controversy between the parties had ended, and the Court had no jurisdiction to try defendant's counterclaim for a declaratory judgment.

Concededly respondents admitted that none of the cars that defendant manufactured, infringed on their patent #1,983,983. It is further conceded that the record contains no indication or suggestion that defendant contemplated a change in the design of its cars, and in fact none of its cars

to this day embody the patented device. It is further conceded that respondents had not threatened the defendant with suits against any future designs of cars which it might make (R. 132) and were enjoined by the judgment (R. 81, 82) from ever again harassing defendant or its customers and from ever again asserting infringement against them. These facts lead to the legal conclusion that the issue of the validity of respondents' patent had become moot, leaving no justiciable controversy upon which the Court could properly render a declaratory decree of invalidity.

Electrical Fittings v. Thomas & Betts (1939) 307 U. S. 241;

Cover v. Schwartz (C. C. A. 2, 1942) 133 Fed. 2d 541;

Freeman v. Allvater (C. C. A. 8, 1942) 130 Fed. 2d 763.

Where the facts do not present a justiciable controversy, one that is definite and concrete, touching the legal relations of the parties having adverse legal interests, an action for a declaratory judgment may not be entertained.

Aetna Life Insurance Company v. Haworth, 300 U. S. 227;

Ashwander v. Tennessee Valley Authority, 297 U. S. 288.

It follows that upon the facts in this case, it was improper for the District Court to make a declaration as to the invalidity of respondents' patent, the alleged controversy between the parties having come to an end.

This principle is firmly embedded in the federal law, and should not be made to depend, as suggested by petitioner, upon whether the party seeking the declaration is called a plaintiff or a defendant in a law suit.

Furthermore, where a counterclaim for declaratory judgment to have a patent adjudged invalid adds nothing to the issues already before the Court, it constitutes mere surplusage, and should not be entertained.

Brillhart v. Excess Ins. Co. of America (1942) 316 U. S. 491;

Meeker v. Baxter (C. C. A. 2) 82 F. 2d 183;

Aetna Casualty & Surety Co. v. Quarles (C. C. A. 4) 92 F. 2d 321;

Maryland Casualty Co. v. Consumer's Finance Service Inc. (C. C. A. 3) 101 F. 2d 514;

Aetna Casualty & Surety Co. v. Yeates (C. C. A. 4) 99 F. 2d 665.

This, for the reason that Rule 41a F. R. C. P. assures a defendant that, after he has interposed an answer, the Court will make a determination of the issues adequate in law to protect him, thereby obviating the necessity for a declaration pursuant to the Declaratory Judgment Act.

Lambert v. Dempster Bros. (D. C. Tenn. 1940) 34 F. S. 610;

Scrugges v. Casco Corp'n (D. C. Conn. 1940) 32 F. S. 625.

POINT II.

Respondents' patent action being at law to recover a sum of money in excess of \$20.00, and a jury trial having been duly demanded, the issues of infringement and validity were triable as of right to a jury. Respondents could not be deprived of that right by defendant's assertion on the same issues of a counterclaim for a declaratory judgment triable without a jury.

The action herein being at law to recover money damages in excess of \$20.00, respondents had a constitutional right

to a jury trial of the issues, and having demanded one, without ever having waived said right, they were entitled to have all the issues raised by their complaint and defendant's answer determined by a jury.

U. S. Constitution, 7th Amendment; 35 U. S. C. A. §67;
Federal Rules Civ. Proc., Rule 38;
Beaunit Mills Inc. v. Eday Fabrics Sales Corp.
(C. C. A. 2, 1941), 124 Fed. 2d 563.

Thus the issues of infringement and validity of respondents' patent were triable to a jury. Respondents did not lose this valuable right by reason of defendant's assertion of its counterclaim for a declaratory judgment.

Hargrove v. Amer. Cent. Ins. Co. (C. C. A. Okla., 1942) 125 Fed. 2d 225;
Mutual Life Ins. Co. of N. Y. v. Krejci (C. C. A. Ill., 1941) 123 Fed. 2d 594;
Bakelite Corporation v. Lubi-Zol Development Corporation (D. Ct. Del., 1940) 34 Fed. Supp. 142.

If defendant was entitled at all to have a declaration on the issue of validity, said declaration had to be made by a jury, respondents having demanded a jury trial. [28 U. S. C. A. Sec. 400 (3) Rule 57 F. R. C. P.] When the District Court made the declaration of invalidity in the absence of the jury, he in effect deprived respondents of their constitutional right to a jury trial of the issues in this case. As stated by Judge Learned Hand (R. 133):

" * * * the only substantial interest of the defendant that we can see is that a declaration made under the counterclaim might enable it to avoid a trial of the second cause of action to a jury, as it did. That in-

terest was of course one which the Court could not properly recognize."

The District Court usurped respondents' constitutional right to trial by jury in this case, and the Circuit Court so held.

POINT III.

Where defendant's interest in a declaration as to the validity of respondents' patent had become moot and academic, and where respondents had a vital interest that no declaration as to validity should be made, because of the pendency of a jury action involving issues the trial of which by a jury might be prevented by the Court's findings of invalidity, and where the issue of validity could be adequately and properly determined in a jury action then pending between the parties, it was an abuse of discretion for the Court to order a separate non jury trial of the issue of validity.

Di Giovainni v. Camden Fire Ins. Ass'n, 296 U. S. 64;

Adamos v. New York Life Ins. Co., 293 U. S. 386;

Enelow v. New York Life Ins. Co., 293 U. S. 379;

Federal Life Ins. Co. v. Ettman (C. C. A. 8, 1941), 120 F. 2d 837, cert. denied 62 S. Ct. 115;

U. S. Shipping B'd Merchant Fleet Corporation to Use of U. S. v. U. S. Fidelity & Guaranty Co. (C. C. A., D. of C., 1935) 77 F. 2d 370;

U. S. Fidelity & Guaranty Co. v. Goetz, 285 N. Y. 74;

Wood v. Hegaman & Co., 245 App. Div. 890, 282 N. Y. S. 351;

Greenberg v. Prudential Insurance Co., 246 App. Div. 727, 283 N. Y. S. 619.

Liberty Oil Co. v. Condon National Bank, 260 U. S. 235 is not applicable to this case for the reason that the parties in said action had waived their right to a jury trial in writing.

POINT IV.

No special or important reasons exist for granting certiorari to review the judgment of the Circuit Court.

1. No new question of Federal Law, requiring settlement by this Court, is presented by the case at bar. The law is well settled that upon a finding or admission of non-infringement, the issue of validity becomes moot, leaving no justiciable controversy upon which the Court may properly render a declaratory decree. The law is also settled that the declaratory judgment act may not be used to avoid a jury trial. What defendant wanted was not so much a declaration that respondents' patent was invalid, but rather findings of fact to enable it to prevent respondents' second cause of action from ever being tried before a jury (R. 133). Furthermore, since defendant was not infringing on the patented device and is still not infringing on respondents' patent its only reason for the declaration was to obtain an advisory opinion as to the validity of respondents' patent. This the law does not allow. The law is well settled that an actual controversy must be present before a Federal Court may entertain an action for a declaratory judgment, and that the jurisdiction of the Court may not be invoked for the purpose of obtaining an advisory opinion. The case at bar represents an application of these well settled principles of Federal Law.

2. The decision in the case at bar is not in conflict with any other decision. *Knaust Brothers Inc. v. Goldschlag*, 119 F. 2d 1022 (C. C. A. 2) affirming 28 F. Supp. 188, is clearly distinguishable from the case at bar. That case was

in equity commenced in 1937, prior to the adoption of the new Federal Rules. The right of trial by jury was not involved. Furthermore, appellant conceded on the appeal the invalidity of the patent, which, it had admitted on the trial, had not been infringed (R. 137). Hence the *Knaust* case is different from and not in conflict with the case at bar, for the reason that both invalidity and non-infringement were conceded by appellant.

Yardley v. Houghton Mifflin Company, Inc., 108 F. 2d 28, is not in point. First of all plaintiff had conceded invalidity at the trial (Petition, p. 10). Secondly the case was in equity and was commenced prior to the adoption of the new rules of Federal Procedure, and the right of trial by jury was not involved.

In both the *Knaust* and *Yardley* cases counterclaims were necessary because the plaintiffs therein could voluntarily have discontinued their actions, Rule 41a F. R. C. P. not being then in effect. The instant action could not be voluntarily discontinued because Rule 41a F. R. C. P. controlled it. Neither the *Knaust* case nor *Yardley* case, *supra*, is in point, and neither is in conflict with the case at bar.

Cover v. Schwartz (C. C. A. 2), 133 F. 2d 541 is entirely consistent with the case at bar. In fact the Circuit Court cited it as authority for its conclusion in the instant case. The mere fact that Judge Clark differed with the majority on the application of the principles of law to the facts in the *Cover* case, does not mean that confusion exists in the Second Circuit as to what the principle of law is.

In *Alfred Hoffman, Inc. v. Knitting Machines Corporation* (C. C. A. 3), 123 F. 2d 458, the decision of the Circuit Court was on the pleadings, which, deemed to be true for the purpose of the motion, stated that an actual controversy existed. That fact distinguishes the cited case from the one at bar where no actual controversy was found to exist. Furthermore the cited case was equitable in nature and the

right to a jury trial was not involved. There is no conflict between the cited case and the case at bar.

It is respectfully submitted that petitioner has failed to make out a case for the granting of certiorari, within the meaning of Rule 38, sub. 5 of the Rules of this Court.

POINT V.

Defendant's admissions and respondents' proof cast great doubt upon the validity of Judge Conger's findings of fact, in so far as they relate to respondents' second cause of action.

Petitioner's Point 4 seems to say that a speedy and inexpensive determination of a law suit is preferable to a just one. The new Rules of Fed. Proc. do not advocate such a philosophy.

Judge Conger found, among other facts, that respondents' idea for a novel construction of the interior of defendant's coupe cars was used by defendant prior to February, 1934, the time respondents admittedly disclosed their idea to defendant (R. 78, 79). These findings were made on issues that concededly were not before the Court for determination. They are contradicted by defendant's own admissions and respondents' proof. These findings have deprived respondents of their fair day in Court.

In an examination before trial (R. 36-57), Fred K. Brun, defendant's supply manager of overseas operation testified as follows:

(R. 39) "Q. Do you know what I mean by opera seats in coupes and roadsters?

A. Yes, I think so.

Q. What is your understanding of opera seats in coupes and roadsters?

A. The seats that will collapse against the back or side of the body of the car, usually without armrest or back rest."

* * * * *

(R. 40) "Q. Will you please confine yourself to coupes and roadsters and tell me when, if you know, were opera seats in the sense you have just used those words, used for the first time by this Corporation?

A. In 1935."

* * * * *

(R. 41) "Q. Has there been a tendency to substitute opera seats for rumble seats?

A. There was such a tendency.

Q. When you say there was, until what time are you talking about?

A. That trend was present until the 1939 model year."

The foregoing admissions that defendant used respondents' idea for coupe construction in 1935 for the first time contradicts Judge Conger's finding that defendant used it first in the year 1933. It will be noted that the Court did not find that the idea was used in 1934, but that defendant next used the idea in 1935. Respondents had given defendant the idea in February, 1934, and defendant so admits.

Judge Conger in his opinion (R. 73) conceded that defendant's Fleetwood automobile which he found to contain opera seats in 1933 (R. 78, 79) was not shown as an existing car in 1934 in the publication "Motor" which was published to show all the new automobiles that were made by manufacturers and exhibited by them at the annual automobile show. Judge Conger stated (R. 73), "It is true that the 1934 model of Fleetwood body with opera seats is not shown in this particular magazine * * *"

We respectfully submit that Judge Conger's findings that defendant's use of respondents' idea (second cause of action)

antedated respondents' disclosure of same to defendant in February 1934 are contradicted by the record, and their validity are in serious doubt. They surely should not be permitted to be the basis of a dismissal of respondents' second cause of action without a trial.

CONCLUSION.

We respectfully submit that the decision of the Circuit Court properly and correctly rectified the errors committed by the District Court, in accordance with law, and that no special or important reasons exist for granting certiorari. The defendant's petition for a writ of certiorari should be denied.

Respectfully submitted,

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